

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 FRB-03 INR-07
NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02 CIEP-01
LAB-04 SIL-01 OMB-01 L-03 /058 W
-----181451Z 079761 /44

R 181341Z JAN 77

FM AMEMBASSY LISBON

TO SECSTATE WASHDC 9852

INFO USDOC WASHDC

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E.O. 11652: N/A

TAGS: EINV, PO

SUBJ: GOP PROPOSAL TO USE ASSETS OF U.S. FIRMS UNDER
WORKER CONTROL

REF: (A) 75 LISBON 5501, (B) LISBON 162, (C) 75 LISBON 7086

1. CARL HARPSOE, CONSULTANT TO LABOR MINISTRY AND AN ORGANIZER OF PORTUGUESE NATIONAL FEDERATION OF COOPERATIVES, REQUESTED MEETING WITH COMMATT TO EXPLAIN GOP PROPOSAL FOR USE OF ASSETS OF U.S. FIRMS UNDER WORKER CONTROL. HARPSOE ASKED COMMATT TO OBTAIN, IF POSSIBLE, PRELIMINARY RESPONSE FROM U.S. FIRMS. TWO FIRMS ARE LATRIQUE (REF A) AND CONTVS-CONFECOS LUSOS, LDA (OWNED BY EQUITABLE FORM INDUSTRIES)(REF B). ACCORDING HARPSOE, LATRIQUE FACTORY WORKING AT FAR BELOW CAPACITY PRODUCING TROUSERS FOR BOTH DOMESTIC MARKET AND EXPORT. CONLUS EVIDENTLY SHUT DOWN COMPLETELY. LATRIQUE ORIGINALLY EMPLOYED ABOUT 250 WHILE CONLUS HAD ALMOST 400.

2. GOP PROPOSAL IS THAT CONSET-NATIONAL COOPERATIVE OF GENERAL TECHNICAL SERVICES WILL INCORPORATE SOME 14 CLOTHING MANUFACTURING FIRMS NOW UNDER WORKER CONTROL INTO COOPERATIVE TO PRODUCE CLOTHING. COOPERATIVE
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WOULD USE MACHINERY AND BUILDINGS BELONGING TO THE FIRMS, WHICH ARE BOTH LOCAL AND FOREIGN OWNED. UTILIZATION OF ASSETS CAN BE DONE IN ONE OF TWO WAYS.

A. ORIGINAL OWNER WOULD AGREE TO LEASE ASSETS AT NEGOTIATED FEE; OR

B. FIRMS WOULD BE ADMINISTRATIVELY DECLARED BANKRUPT UNDER PROVISION OF SOON TO BE PASSED LAW ON STATUS OF

WORKER OPERATED FIRMS (REF C). UPON DECLARATION OF BANKRUPTCY, GOP WOULD HAVE FIRST CLAIM ON ASSETS AND IT WOULD ASSIGN THEM TO COOPERATIVE. OR, COOPERATIVE COULD PURCHASE ASSETS AT AUCTION. BASIC AIM OF ESTABLISHING COOPERATIVE IS CREATE FULL EMPLOYMENT FOR UNDER EMPLOYED WORKERS AND TO REVIVE PRODUCTION.

3. COOPERATIVE WOULD OPERATE AS ONE FIRM WITH 44 MANUFACTURING UNITS OR DIVISIONS. COOPERATIVE WOULD OWN ALL ASSETS, WOULD MAKE ALL PRODUCTION DECISIONS, AND WOULD PROVIDE TECHNICAL EXPERTISE AND RAW MATERIAL TO UNITS. COOPERATIVE WILL ALSO BE RESPONSIBLE FOR MARKETING. INDIVIDUAL UNITS WOULD OWN ONLY SHARES IN COOPERATIVE.

4. HARPSOE RECOGNIZES THAT U.S. FIRMS CREATE SPECIAL PROBLEM. WITH SPECIFIC REGARD TO THEM, HARPSOE BELIEVES THAT THEY SHOULD AGREE IMMEDIATELY TO LEASE ASSETS AND THEN DISCUSS RESOLUTION OF INVESTMENT PROBLEM. FUNDS WOULD BE PUT IN ESCROW ACCOUNT IN PORTUGAL WHILE SETTLEMENT OF INVESTMENT DISPUTE IS NEGOTIATED. IMMEDIATE LEASE AGREEMENT WOULD FORESTALL APPLICATION OF FORCED BANKRUPTCY CLAUSE. HE STATES THAT LABOR MINISTRY AND POLITICAL PARTY DELEGATIONS IN ASSEMBLY WHICH HAVE SEEN DRAFT OF WORKER CONTROL LAW BELIEVE BANKRUPTCY CLAUSE SHOULD BE USED AGAINST ALL FIRMS, WHETHER LOCAL OR FOREIGN. HE ADDS THAT THERE IS TREMENDOUS PRESSURE TO UTILIZE CLAUSE AS SOON AS LAW IS PASSED.

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5. COMMENT: INCORPORATION OF ADMINISTRATIVE BANKRUPTCY CLAUSE IN LEGISLATION TO NORMALIZE WORKER-RUN FIRMS WILL GENERATE SERIOUS CRITICISM FROM PRIVATE SECTOR. EXTENSIVE USE OF CLAUSE WILL HARM GOP EFFORTS TO GAIN CONFIDENCE OF PRIVATE SECTOR AND TO ENCOURAGE PRIVATE INVESTMENT.

6. ACTION REQUESTED: REQUEST DEPARTMENT CONTACT LATRIQUE AND EXQUISITE FORM TO PRESENT PROPOSAL, OBTAIN RESPONSE AND INFORM EMBASSY FOR TRANSMITTAL TO LABOR MINISTRY.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NATIONALIZATION, TEXTILES, BUSINESS FIRMS
Control Number: n/a
Copy: SINGLE
Sent Date: 18-Jan-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977LISBON00475
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770018-0671
Format: TEL
From: LISBON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770142/aaaabkpr.tel
Line Count: 110
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 4d7c47d5-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 LISBON 5501, 77 LISBON 162, 75 LISBON 7086
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 23-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3573853
Secure: OPEN
Status: NATIVE
Subject: GOP PROPOSAL TO USE ASSETS OF U.S. FIRMS UNDER WORKER CONTROL
TAGS: EINV, PO, US
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/4d7c47d5-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009